

ASSEMBLY BILL

No. 1545

Introduced by Assembly Member V. Manuel Pérez

January 25, 2012

An act to amend Sections 63000, 63010, 63025.1, 63045, and 63084 of, and to add Article 5.5 (commencing with Section 63047.1) to, the Government Code, relating to economic development, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1545, as introduced, V. Manuel Pérez. Economic development projects.

The Bergeson-Peace Infrastructure and Economic Development Bank Act authorizes the California Infrastructure and Economic Development Bank, governed by a board of directors, to make loans and provide other assistance to public and private entities for various types of economic development projects, among other things. The activities of the bank under these provisions are funded from the California Infrastructure and Economic Development Bank Fund, which is continuously appropriated for these purposes.

This bill would authorize the board to enter into development and financing agreements for projects within the California-Mexico border region, as defined. The bill would authorize the bank to establish and participate in a binational financing authority to facilitate and support the economic development of communities within the border region. The bill would require the bank to develop guidelines for the selection, review, and approval of border region projects and authorize the bank to issue bonds, the proceeds of which would be deposited in the Binational Development Account, which the bill would create within

the fund. By expanding the purposes for which a continuously appropriated fund may be used, the bill would make an appropriation.

Vote: majority. Appropriation: yes. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) Mexico is California's largest trading partner in the world.
4 The two economies are highly integrated with a substantial
5 dependence on cross-border trade, especially in southern California.
6 A modern border that provides for safe and efficient movement
7 of people and goods is therefore critical to both entities to maintain
8 continued growth in the economy and trade.

9 (b) The increased security demands since September 11, 2001,
10 have resulted in the need to have an even greater focus on the
11 operations of border crossings and approaches so that efficiency
12 improvements are made in concert with the implementation of
13 enhanced safety and security measures.

14 (c) One barrier to the expansion of trade and binational
15 commerce is the deficit in border infrastructure, which has not
16 kept pace with increases in trade and transit since ratification of
17 the North American Free Trade Agreement. Increased federal
18 spending on ports of entry is essential, as well as encouraging
19 recapitalization of binational border financing entities that include
20 the North American Development Bank. Even with increased
21 federal funding, however, the long-term success of the binational
22 region is attracting more private sector investment. Attracting new
23 private capital will require new ways of financing infrastructure
24 and other economic development-related projects and streamlining
25 local and environmental approvals.

26 (d) A binational approach to economic development also serves
27 to provide a vital, yet often overlooked, component to
28 comprehensive immigration reform. Workers from Mexico have
29 historically served a valuable role within many California industry
30 sectors including the agriculture and tourism sectors. In some
31 instances, however, immigration creates economic and social
32 challenges to the sending and receiving countries, as well as
33 workers and businesses. It is therefore in the interest of the state

1 to find appropriate, cost-effective actions to limit immigration by
2 supporting economic development and job creation.

3 (e) Funding business development and job creation activities
4 along the California-Mexico border region is a practical strategy
5 for minimizing and discouraging undocumented flows of
6 immigration from Mexico. Economic development projects along
7 the border and within the north-south economic corridors benefit
8 communities on both sides of the border. Projects that stimulate
9 job creation and strengthen the local and regional economies can
10 serve as a cost-effective immigration control method, while
11 strengthening the manufacturing, trade, and goods movement
12 capacity of California communities.

13 (f) A coherent economic strategy for the border region, based
14 on expediting legitimate commerce, relaxing federally imposed
15 restrictions on what border communities can do to build new
16 infrastructure, and endowing existing development institutions
17 with greater authority will result in immediate and long-term
18 benefits to the people of California.

19 SEC. 2. Section 63000 of the Government Code is amended
20 to read:

21 63000. The Legislature finds and declares the following:

22 (a) Economic revitalization, future development, and a healthy
23 climate for jobs in California will depend upon a well-conceived
24 system of public improvements that are essential to the economic
25 well-being of the citizens of the state and are necessary to maintain,
26 as well as create, employment within the state for business.

27 (b) It is necessary for public policy to support the efforts of
28 businesses attempting to expand, businesses seeking to locate in
29 California, and local economic development organizations, public
30 agencies, and new entrepreneurs by dedicating public fiscal
31 resources to confront obstacles and barriers that impede economic
32 growth.

33 (c) Existing mechanisms that coordinate federal, state, local,
34 and private financial resources are inadequate to attract and sustain
35 that level of private investment that is essential to a growth
36 economy.

37 (d) In order to secure and enhance the economic well-being of
38 Californians, promote economic development in the state, and
39 provide a healthy climate for the creation of jobs, it is necessary
40 for public policy to support the efforts of expanding businesses,

1 businesses seeking to locate in California, local development
2 organizations, public bodies, and new entrepreneurs to gain access
3 to capital through current and potential operations of financial
4 markets.

5 (e) The high cost and the lack of availability of industrial loans
6 for small- and medium-size businesses is making it difficult for
7 thousands of these enterprises to get established, to maintain their
8 present employment levels, or to expand employment.

9 (f) The problem of access to capital is acute in the high
10 technology industry clusters because companies must often finance
11 large capital expenditures early in their development cycle, and
12 cannot obtain financing sufficient to cover the cost of those
13 expenditures. Consideration should be given to industry clusters
14 that may include the following:

15 (1) Health care technology.

16 (2) Multimedia.

17 (3) Environmental technology.

18 (4) Information technology.

19 (g) The high cost and limited availability of loans and capital
20 has led a number of states to take action to remedy these conditions
21 through concerted public and private investment programs that
22 include efforts to do the following:

23 (1) Use the state's access to capital markets more effectively
24 for economic development.

25 (2) Create financing pools to access national *and international*
26 capital markets or help government sponsors and public-private
27 economic development organizations obtain credit enhancement
28 on their own.

29 (3) Facilitate credit enhancement for selected specific projects.

30 (4) Provide or arrange for loan insurance.

31 (5) Create and support secondary markets for loan portfolios of
32 urban and rural economic development corporations and others.

33 (6) Improve access to international capital markets.

34 (7) Provide opportunities for public pension funds and other
35 institutional investors to play a larger role in state economic
36 development.

37 (8) Arrange for or provide subordinated debt for selected
38 projects.

39 (9) Increase support for local, *regional, and state* infrastructure
40 development.

1 *(10) Improve access to global markets by supporting*
2 *manufacturing-linked goods and movement-related infrastructure*
3 *within state, national, and international transportation corridors.*

4 (h) Local governments in California bear a primary
5 responsibility for the business of promoting job creation and
6 economic development efforts. California's continued reliance on
7 autonomous local entities often fails to adequately consider regional
8 impacts of business expansion. Projects of a regional nature need
9 the benefit of a state coordinating function to augment and enhance
10 local economic development and environmental efforts.

11 (i) The State of California has not embarked on a major
12 infrastructure financing effort since the decade of the 1960's,
13 despite persistent unemployment and soaring population growth.

14 (j) California's ability to compete in a global economy depends
15 upon its capacity to implement policies that take maximum
16 advantage of public and private resources at the local, regional,
17 state, and national levels. These policies should be coordinated
18 with any future legislative plan involving growth management
19 strategies designed to make economic growth compatible with
20 environmental protections. It is the intent of the Legislature in
21 enacting this act to create a mechanism to finance projects needed
22 to implement economic development and job creation and growth
23 management strategies, and to provide a secure and stable funding
24 source for implementation of this act in order to meet critical
25 economic, social, and environmental concerns.

26 (k) The State of California needs a financing entity structured
27 with broad authority to issue bonds, provide guarantees, and
28 leverage state and federal funds using techniques that will target
29 public investment to facilitate *private sector economic development*
30 *growth*. The goal is to *expand private sector investment within the*
31 *state and* produce more private sector jobs with less public sector
32 investment.

33 (l) The mechanisms for financing public improvements and
34 private job creation strategies provided for in this act are in the
35 public interest, serve a public purpose, and will promote the health,
36 welfare, and safety of the citizens of the state.

37 (m) *The lack of economic development along the border region*
38 *with Mexico has caused economic challenges to the state. The*
39 *existence of an economic development authority that addresses*
40 *economic development needs in these areas serves a public purpose*

1 *and promotes the health, welfare, and safety of the citizens of the*
2 *state.*

3 ~~(m)~~

4 (n) The public policies and responsibilities of the state, including
5 all of the above purposes and functions, cannot be fully obtained
6 without the use of financing assistance and can be most effectively
7 furthered by the creation of the California Infrastructure and
8 Economic Development Bank.

9 SEC. 3. Section 63010 of the Government Code is amended
10 to read:

11 63010. For purposes of this division, the following words and
12 terms shall have the following meanings unless the context clearly
13 indicates or requires another or different meaning or intent:

14 (a) “Act” means the Bergeson-Peace Infrastructure and
15 Economic Development Bank Act.

16 (b) “Bank” means the California Infrastructure and Economic
17 Development Bank.

18 (c) “Board” or “bank board” means the Board of Directors of
19 the California Infrastructure and Economic Development Bank.

20 (d) “Bond purchase agreement” means a contractual agreement
21 executed between the bank and a sponsor, or a special purpose
22 trust authorized by the bank or a sponsor, or both, whereby the
23 bank or special purpose trust authorized by the bank agrees to
24 purchase bonds of the sponsor for retention or sale.

25 (e) (1) “Bonds” means bonds, including structured, senior, and
26 subordinated bonds or other securities; loans; notes, including
27 bond, revenue, tax or grant anticipation notes; commercial paper;
28 floating rate and variable maturity securities; and any other
29 evidences of indebtedness or ownership, including certificates of
30 participation or beneficial interest, asset backed certificates, or
31 lease-purchase or installment purchase agreements, whether taxable
32 or excludable from gross income for federal income taxation
33 purposes.

34 (2) “Border region” means the area within 120 miles on each
35 side of the California-Mexico border, including areas along the
36 north-south and east-west transportation networks on both sides
37 of the border.

38 (f) “Cost,” as applied to a project or portion thereof financed
39 under this division, means all or any part of the cost of construction,
40 renovation, and acquisition of all lands, structures, real or personal

1 property, rights, rights-of-way, franchises, licenses, easements,
2 and interests acquired or used for a project; the cost of demolishing
3 or removing any buildings or structures on land so acquired,
4 including the cost of acquiring any lands to which the buildings
5 or structures may be moved; the cost of all machinery, equipment,
6 and financing charges; interest prior to, during, and for a period
7 after completion of construction, renovation, or acquisition, as
8 determined by the bank; provisions for working capital; reserves
9 for principal and interest and for extensions, enlargements,
10 additions, replacements, renovations, and improvements; and the
11 cost of architectural, engineering, financial and legal services,
12 plans, specifications, estimates, administrative expenses, and other
13 expenses necessary or incidental to determining the feasibility of
14 any project or incidental to the construction, acquisition, or
15 financing of any project, and transition costs in the case of an
16 electrical corporation.

17 (g) "Economic development facilities" means real and personal
18 property, structures, buildings, equipment, and supporting
19 components thereof that are used to provide industrial, recreational,
20 research, commercial, utility, *goods movement*, or service enterprise
21 facilities, community, educational, cultural, or social welfare
22 facilities and any parts or combinations thereof, and all facilities
23 or infrastructure necessary or desirable in connection therewith,
24 including provision for working capital, but shall not include any
25 housing.

26 (h) "Electrical corporation" has the meaning set forth in Section
27 218 of the Public Utilities Code.

28 (i) "Executive director" means the Executive Director of the
29 California Infrastructure and Economic Development Bank
30 appointed pursuant to Section 63021.

31 (j) "Financial assistance" in connection with a project, includes,
32 but is not limited to, any combination of grants, loans, the proceeds
33 of bonds issued by the bank or special purpose trust, insurance,
34 guarantees or other credit enhancements or liquidity facilities, and
35 contributions of money, property, labor, or other things of value,
36 as may be approved by resolution of the board or the sponsor, or
37 both; the purchase or retention of bank bonds, the bonds of a
38 sponsor for their retention or for sale by the bank, or the issuance
39 of bank bonds or the bonds of a special purpose trust used to fund
40 the cost of a project for which a sponsor is directly or indirectly

1 liable, including, but not limited to, bonds, the security for which
2 is provided in whole or in part pursuant to the powers granted by
3 Section 63025; bonds for which the bank has provided a guarantee
4 or enhancement, including, but not limited to, the purchase of the
5 subordinated bonds of the sponsor, the subordinated bonds of a
6 special purpose trust, or the retention of the subordinated bonds
7 of the bank pursuant to Chapter 4 (commencing with Section
8 63060); or any other type of assistance deemed appropriate by the
9 bank or the sponsor, except that no direct loans shall be made to
10 nonpublic entities other than in connection with the issuance of
11 rate reduction bonds pursuant to a financing order or in connection
12 with a financing for an economic development facility *located*
13 *within the state or the border region, or both.*

14 For purposes of this subdivision, “grant” does not include grants
15 made by the bank except when acting as an agent or intermediary
16 for the distribution or packaging of financing available from
17 federal, private, or other public sources.

18 (k) “Financing order” has the meaning set forth in Section 840
19 of the Public Utilities Code.

20 (l) “Guarantee trust fund” means the California Infrastructure
21 Guarantee Trust Fund.

22 (m) “Infrastructure bank fund” means the California
23 Infrastructure and Economic Development Bank Fund.

24 (n) “Loan agreement” means a contractual agreement executed
25 between the bank or a special purpose trust and a sponsor that
26 provides that the bank or special purpose trust will loan funds to
27 the sponsor and that the sponsor will repay the principal and pay
28 the interest and redemption premium, if any, on the loan.

29 (o) “Participating party” means any person, company,
30 corporation, association, state, *international*, or municipal
31 governmental entity, partnership, firm, or other entity or group of
32 entities, whether organized for profit or not for profit, engaged in
33 business or operations within the state *or border region* and that
34 applies for financing from the bank in conjunction with a sponsor
35 for the purpose of implementing a project. However, in the case
36 of a project relating to the financing of transition costs or the
37 acquisition of transition property, or both, on the request of an
38 electrical corporation, or in connection with a financing for an
39 economic development facility, or for the financing of insurance

1 claims, the participating party shall be deemed to be the same
2 entity as the sponsor for the financing.

3 (p) “Project” means designing, acquiring, planning, permitting,
4 entitling, constructing, improving, extending, restoring, financing,
5 and generally developing public development facilities or economic
6 development facilities within the state *or border region* or
7 financing transition costs or the acquisition of transition property,
8 or both, upon approval of a financing order by the Public Utilities
9 Commission, as provided in Article 5.5 (commencing with Section
10 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities
11 Code.

12 (q) “Public development facilities” means real and personal
13 property, structures, conveyances, equipment, thoroughfares,
14 buildings, and supporting components thereof, excluding any
15 housing, that are directly related to providing the following:

16 (1) “City streets” including any street, avenue, boulevard, road,
17 parkway, drive, or other way that is any of the following:

18 (A) An existing municipal roadway.

19 (B) Is shown upon a plat approved pursuant to law and includes
20 the land between the street lines, whether improved or unimproved,
21 and may comprise pavement, bridges, shoulders, gutters, curbs,
22 guardrails, sidewalks, parking areas, benches, fountains, plantings,
23 lighting systems, and other areas within the street lines, as well as
24 equipment and facilities used in the cleaning, grading, clearance,
25 maintenance, and upkeep thereof.

26 (2) “County highways” including any county highway as defined
27 in Section 25 of the Streets and Highways Code, that includes the
28 land between the highway lines, whether improved or unimproved,
29 and may comprise pavement, bridges, shoulders, gutters, curbs,
30 guardrails, sidewalks, parking areas, benches, fountains, plantings,
31 lighting systems, and other areas within the street lines, as well as
32 equipment and facilities used in the cleaning, grading, clearance,
33 maintenance, and upkeep thereof.

34 (3) “Drainage, water supply, and flood control” including, but
35 not limited to, ditches, canals, levees, pumps, dams, conduits,
36 pipes, storm sewers, and dikes necessary to keep or direct water
37 away from people, equipment, buildings, and other protected areas
38 as may be established by lawful authority, as well as the
39 acquisition, improvement, maintenance, and management of

1 floodplain areas and all equipment used in the maintenance and
2 operation of the foregoing.

3 (4) “Educational facilities” including libraries, child care
4 facilities, including, but not limited to, day care facilities, and
5 employment training facilities.

6 (5) “Environmental mitigation measures” including required
7 construction or modification of public infrastructure and purchase
8 and installation of pollution control and noise abatement
9 equipment.

10 (6) “Parks and recreational facilities” including local parks,
11 recreational property and equipment, parkways and property.

12 (7) “Port facilities” including ~~docks, harbors, ports of entry,~~
13 ~~piers, ships, small boat harbors and marinas,~~ *airports, landports,*
14 *waterports, railports, docks, harbors, ports of entry, piers, ships,*
15 *small boat harbors and marinas,* and any other facilities, additions,
16 or improvements in connection therewith, *that transport goods or*
17 *persons.*

18 (8) “Power and communications” including facilities for the
19 transmission or distribution of electrical energy, natural gas, and
20 telephone and telecommunications service.

21 (9) “Public transit” including air and rail transport ~~of goods,~~
22 airports, guideways, vehicles, rights-of-way, passenger stations,
23 maintenance and storage yards, and related structures, including
24 public parking facilities, equipment used to provide or enhance
25 transportation by bus, rail, ferry, or other conveyance, either
26 publicly or privately owned, that provides to the public general or
27 special service on a regular and continuing basis.

28 (10) “Sewage collection and treatment” including pipes, pumps,
29 and conduits that collect wastewater from residential,
30 manufacturing, and commercial establishments, the equipment,
31 structures, and facilities used in treating wastewater to reduce or
32 eliminate impurities or contaminants, and the facilities used in
33 disposing of, or transporting, remaining sludge, as well as all
34 equipment used in the maintenance and operation of the foregoing.

35 (11) “Solid waste collection and disposal” including vehicles,
36 vehicle-compatible waste receptacles, transfer stations, recycling
37 centers, sanitary landfills, and waste conversion facilities necessary
38 to remove solid waste, except that which is hazardous as defined
39 by law, from its point of origin.

1 (12) “Water treatment and distribution” including facilities in
2 which water is purified and otherwise treated to meet residential,
3 manufacturing, or commercial purposes and the conduits, pipes,
4 and pumps that transport it to places of use.

5 (13) “Defense conversion” including, but not limited to, facilities
6 necessary for successfully converting military bases consistent
7 with an adopted base reuse plan.

8 (14) “Public safety facilities” including, but not limited to, police
9 stations, fire stations, court buildings, jails, juvenile halls, and
10 juvenile detention facilities.

11 (15) “State highways” including any state highway as described
12 in Chapter 2 (commencing with Section 230) of Division 1 of the
13 Streets and Highways Code, and the related components necessary
14 for safe operation of the highway.

15 (16) (A) Military infrastructure, including, but not limited to,
16 facilities on or near a military installation, that enhance the military
17 operations and mission of one or more military installations in this
18 state. To be eligible for funding, the project shall be endorsed by
19 the Office of Military and Aerospace Support established pursuant
20 to Section 13998.2.

21 (B) For purposes of this subdivision, “military installation”
22 means any facility under the jurisdiction of the Department of
23 Defense, as defined in paragraph (1) of subsection (e) of Section
24 2687 of Title 10 of the United States Code.

25 (17) *“Goods movement-related infrastructure” including port*
26 *facilities, roads, rail, and other facilities and projects that move*
27 *goods, energy, and information.*

28 (r) “Rate reduction bonds” has the meaning set forth in Section
29 840 of the Public Utilities Code.

30 (s) “Revenues” means all receipts, purchase payments, loan
31 repayments, lease payments, and all other income or receipts
32 derived by the bank or a sponsor from the sale, lease, or other
33 financing arrangement undertaken by the bank, a sponsor or a
34 participating party, including, but not limited to, all receipts from
35 a bond purchase agreement, and any income or revenue derived
36 from the investment of any money in any fund or account of the
37 bank or a sponsor and any receipts derived from transition property.
38 Revenues shall not include moneys in the General Fund of the
39 state.

(t) “Special purpose trust” means a trust, partnership, limited partnership, association, corporation, nonprofit corporation, or other entity authorized under the laws of the state to serve as an instrumentality of the state to accomplish public purposes and authorized by the bank to acquire, by purchase or otherwise, for retention or sale, the bonds of a sponsor or of the bank made or entered into pursuant to this division and to issue special purpose trust bonds or other obligations secured by these bonds or other sources of public or private revenues. Special purpose trust also means any entity authorized by the bank to acquire transition property or to issue rate reduction bonds, or both, subject to the approvals by the bank and powers of the bank as are provided by the bank in its resolution authorizing the entity to issue rate reduction bonds.

(u) “Sponsor” means any subdivision of the state or local government including departments, agencies, commissions, cities, counties, nonprofit corporations formed on behalf of a sponsor, special districts, assessment districts, and joint powers authorities within the state or any combination of these subdivisions that makes an application to the bank for financial assistance in connection with a project in a manner prescribed by the bank. This definition shall not be construed to require that an applicant have an ownership interest in the project. In addition, an electrical corporation shall be deemed to be the sponsor as well as the participating party for any project relating to the financing of transition costs and the acquisition of transition property on the request of the electrical corporation and any person, company, corporation, partnership, firm, or other entity or group engaged in business or operation within the state that applies for financing of any economic development facility, shall be deemed to be the sponsor as well as the participating party for the project relating to the financing of that economic development facility.

(v) “State” means the State of California.

(w) “Transition costs” has the meaning set forth in Section 840 of the Public Utilities Code.

(x) “Transition property” has the meaning set forth in Section 840 of the Public Utilities Code.

SEC. 4. Section 63025.1 of the Government Code is amended to read:

1 63025.1. The bank board may do or delegate the following to
2 the executive director:

3 (a) Sue and be sued in its own name.

4 (b) As provided in Chapter 5 (commencing with Section 63070),
5 issue bonds and authorize special purpose trusts to issue bonds,
6 including, at the option of the board, bonds bearing interest that
7 is taxable for the purpose of federal income taxation, or borrow
8 money to pay all or any part of the cost of any project, or to
9 otherwise carry out the purposes of this division.

10 (c) Engage the services of private consultants to render
11 professional and technical assistance and advice in carrying out
12 the purposes of this division.

13 (d) Employ attorneys, financial consultants, and other advisers
14 as may, in the bank's judgment, be necessary in connection with
15 the issuance and sale, or authorization of special purpose trusts for
16 the issuance and sale, of any bonds, notwithstanding Sections
17 11042 and 11043.

18 (e) Contract for engineering, architectural, accounting, or other
19 services of appropriate state agencies as may, in its judgment, be
20 necessary for the successful development of a project.

21 (f) Pay the reasonable costs of consulting engineers, architects,
22 accountants, and construction, land use, recreation, and
23 environmental experts employed by any sponsor or participating
24 party if, in the bank's judgment, those services are necessary for
25 the successful development of a project.

26 (g) Acquire, take title to, and sell by installment sale or
27 otherwise, lands, structures, real or personal property, rights,
28 rights-of-way, franchises, easements, and other interests in lands
29 that are located within the state, or transition property as the bank
30 may deem necessary or convenient for the financing of the project,
31 upon terms and conditions that it considers to be reasonable.

32 (h) Receive and accept from any source including, but not
33 limited to, the federal government, the state, or any agency thereof,
34 loans, contributions, or grants, in money, property, labor, or other
35 things of value, for, or in aid of, a project, or any portion thereof.

36 (i) Make loans to any sponsor or participating party, either
37 directly or by making a loan to a lending institution, in connection
38 with the financing of a project in accordance with an agreement
39 between the bank and the sponsor or a participating party, either
40 as a sole lender or in participation with other lenders. However,

1 no loan shall exceed the total cost of the project as determined by
2 the sponsor or the participating party and approved by the bank.

3 (j) Make loans to any sponsor or participating party, either
4 directly or by making a loan to a lending institution, in accordance
5 with an agreement between the bank and the sponsor or
6 participating party to refinance indebtedness incurred by the
7 sponsor or participating party in connection with projects
8 undertaken and completed prior to any agreement with the bank
9 or expectation that the bank would provide financing, either as a
10 sole lender or in participation with other lenders.

11 (k) Mortgage all or any portion of the bank's interest in a project
12 and the property on which any project is located, whether owned
13 or thereafter acquired, including the granting of a security interest
14 in any property, tangible or intangible.

15 (l) Assign or pledge all or any portion of the bank's interests in
16 transition property and the revenues therefrom, or assets, things
17 of value, mortgages, deeds of trust, bonds, bond purchase
18 agreements, loan agreements, indentures of mortgage or trust, or
19 similar instruments, notes, and security interests in property,
20 tangible or intangible and the revenues therefrom, of a sponsor or
21 a participating party to which the bank has made loans, and the
22 revenues therefrom, including payment or income from any interest
23 owned or held by the bank, for the benefit of the holders of bonds.

24 (m) Make, receive, or serve as a conduit for the making of, or
25 otherwise provide for, grants, contributions, guarantees, insurance,
26 credit enhancements or liquidity facilities, or other financial
27 enhancements to a sponsor or a participating party as financial
28 assistance for a project.

29 (n) Lease the project being financed to a sponsor or a
30 participating party, upon terms and conditions that the bank deems
31 proper but shall not be leased at a loss; charge and collect rents
32 therefor; terminate any lease upon the failure of the lessee to
33 comply with any of the obligations thereof; include in any lease,
34 if desired, provisions that the lessee shall have options to renew
35 the lease for a period or periods, and at rents determined by the
36 bank; purchase any or all of the project; or, upon payment of all
37 the indebtedness incurred by the bank for the financing of the
38 project, the bank may convey any or all of the project to the lessee
39 or lessees.

1 (o) Charge and equitably apportion among sponsors and
2 participating parties the bank's administrative costs and expenses
3 incurred in the exercise of the powers and duties conferred by this
4 division.

5 (p) Issue, obtain, or aid in obtaining, from any department or
6 agency of the United States, from other agencies of the state, or
7 from any private company, any insurance or guarantee to, or for,
8 the payment or repayment of interest or principal, or both, or any
9 part thereof, on any loan, lease, or obligation or any instrument
10 evidencing or securing the same, made or entered into pursuant to
11 this division.

12 (q) Notwithstanding any other provision of this division, enter
13 into any agreement, contract, or any other instrument with respect
14 to any insurance or guarantee; accept payment in the manner and
15 form as provided therein in the event of default by a sponsor or a
16 participating party; and issue or assign any insurance or guarantee
17 as security for the bank's bonds.

18 (r) Enter into any agreement or contract, execute any instrument,
19 and perform any act or thing necessary or convenient to, directly
20 or indirectly, secure the bank's bonds, the bonds issued by a special
21 purpose trust, or a sponsor's obligations to the bank or to a special
22 purpose trust, including, but not limited to, bonds of a sponsor
23 purchased by the bank or a special purpose trust for retention or
24 sale, with funds or moneys that are legally available and that are
25 due or payable to the sponsor by reason of any grant, allocation,
26 apportionment or appropriation of the state or agencies thereof, to
27 the extent that the Controller shall be the custodian at any time of
28 these funds or moneys, or with funds or moneys that are or will
29 be legally available to the sponsor, the bank, or the state or any
30 agencies thereof by reason of any grant, allocation, apportionment,
31 or appropriation of the federal government or agencies thereof;
32 and in the event of written notice that the sponsor has not paid or
33 is in default on its obligations to the bank or a special purpose
34 trust, direct the Controller to withhold payment of those funds or
35 moneys from the sponsor over which it is or will be custodian and
36 to pay the same to the bank or special purpose trust or their
37 assignee, or direct the state or any agencies thereof to which any
38 grant, allocation, apportionment or appropriation of the federal
39 government or agencies thereof is or will be legally available to
40 pay the same upon receipt by the bank or special purpose trust or

1 their assignee, until the default has been cured and the amounts
2 then due and unpaid have been paid to the bank or special purpose
3 trust or their assignee, or until arrangements satisfactory to the
4 bank or special purpose trust have been made to cure the default.

5 (s) Enter into any agreement or contract, execute any instrument,
6 and perform any act or thing necessary, convenient, or appropriate
7 to carry out any power expressly given to the bank by this division,
8 including, but not limited to, agreements for the sale of all or any
9 part, including principal, interest, redemption rights or any other
10 rights or obligations, of bonds of the bank or of a special purpose
11 trust, liquidity agreements, contracts commonly known as interest
12 rate swap agreements, forward payment conversion agreements,
13 futures or contracts providing for payments based on levels of, or
14 changes in, interest rates or currency exchange rates, or contracts
15 to exchange cash-flows or a series of payments, or contracts,
16 including options, puts or calls to hedge payments, rate, spread,
17 currency exchange, or similar exposure, or any other financial
18 instrument commonly known as a structured financial product.

19 (t) Purchase, with the proceeds of the bank's bonds, transition
20 property or bonds issued by, or for the benefit of, any sponsor in
21 connection with a project, pursuant to a bond purchase agreement
22 or otherwise. Bonds or transition property purchased pursuant to
23 this division may be held by the bank, pledged or assigned by the
24 bank, or sold to public or private purchasers at public or negotiated
25 sale, in whole or in part, separately or together with other bonds
26 issued by the bank, and notwithstanding any other provision of
27 law, may be bought by the bank at private sale.

28 (u) (1) Enter into purchase and sale agreements with all entities,
29 public and private, including state and local government pension
30 funds, with respect to the sale or purchase of bonds or transition
31 property.

32 (2) *Enter into development and financing agreements for*
33 *projects within the border region.*

34 (v) Invest any moneys held in reserve or sinking funds, or any
35 moneys not required for immediate use or disbursement, in
36 obligations that are authorized by law for the investment of trust
37 funds in the custody of the Treasurer.

38 (w) Authorize a special purpose trust or trusts to purchase or
39 retain, with the proceeds of the bonds of a special purpose trust,
40 transition property or bonds issued by, or for the benefit of, any

1 sponsor in connection with a project or issued by the bank or a
2 special purpose trust, pursuant to a bond purchase agreement or
3 otherwise. Bonds or transition property purchased pursuant to this
4 title may be held by a special purpose entity, pledged or assigned
5 by a special purpose entity, or sold to public or private purchasers
6 at public or negotiated sale, in whole or in part, with or without
7 structuring, subordination or credit enhancement, separately or
8 together with other bonds issued by a special purpose trust, and
9 notwithstanding any other provision of law, may be bought by the
10 bank or by a special purpose trust at private sale.

11 (x) Approve the issuance of any bonds, notes, or other evidences
12 of indebtedness by the Rural Economic Development Infrastructure
13 Panel, established pursuant to Section 15373.7.

14 (y) Approve the issuance of rate reduction bonds by an entity
15 other than the bank or a special purpose trust to acquire transition
16 property upon approval of the transaction in a financing order by
17 the Public Utilities Commission, as provided in Article 5.5
18 (commencing with Section 840) of Chapter 4 of Part 1 of Division
19 1 of the Public Utilities Code.

20 (z) Apply for and accept subventions, grants, loans, advances,
21 and contributions from any source of money, property, labor, or
22 other things of value. The sources may include bond proceeds,
23 dedicated taxes, state appropriations, federal appropriations, federal
24 grant and loan funds, public and private sector retirement system
25 funds, and proceeds of loans from the Pooled Money Investment
26 Account.

27 (aa) Do all things necessary and convenient to carry out its
28 purposes and exercise its powers, provided, however, that nothing
29 herein shall be construed to authorize the bank to engage directly
30 in the business of a manufacturing, industrial, real estate
31 development, or nongovernmental service enterprise. Further, the
32 bank shall not be organized to accept deposits of money for time
33 or demand deposits or to constitute a bank or trust company.

34 SEC. 5. Section 63045 of the Government Code is amended
35 to read:

36 63045. In order to provide or arrange for the financing of
37 economic development facilities, the bank may:

38 (a) Issue taxable revenue bonds pursuant to Chapter 5
39 (commencing with Section 63070) to provide financing for

1 economic development projects compatible with the public interest
2 as specified in Section 63046.

3 (b) Issue taxable revenue bonds pursuant to Chapter 5
4 (commencing with Section 63070) to provide financing for the
5 revolving loan funds and economic development projects of small
6 business development corporations, local economic development
7 corporations, community development corporations, *community*
8 *development financial institutions*, and nonprofit organizations,
9 which revolving loan funds and economic development projects
10 shall be compatible with the public interest.

11 (c) Issue tax-exempt revenue bonds pursuant to Chapter 5
12 (commencing with Section 63070) to provide financing for
13 economic development facilities as permitted by federal law and
14 in accordance with applicable California law relating to the
15 distribution of state allocations for private activity bonds. Projects
16 so financed shall be compatible with the public interest as specified
17 in Section 63046.

18 (d) Issue tax-exempt revenue bonds pursuant to Chapter 5
19 (commencing with Section 63070) for economic development
20 facilities of public sector and nonprofit organizations qualifying
21 for exemption under federal law.

22 SEC. 6. Article 5.5 (commencing with Section 63047.1) is
23 added to the Government Code, to read:

24
25 Article 5.5. Binational Financing Authority
26

27 63047.1. The bank is hereby authorized to establish and
28 participate in a binational financing authority for the purpose of
29 facilitating and supporting the economic development of
30 communities within both sides of the border region, thereby
31 advancing job opportunities for the economic well-being of the
32 people of California. Other participants in the authority may
33 include, but are not limited to, cities, counties, and other local
34 government entities within the Imperial Valley, San Diego County,
35 the Coachella Valley, the North American Development Bank,
36 and governmental entities within the border region of Mexico.

37 63047.2. (a) The bank may enter into an agreement with any
38 federal, state, local, or foreign economic and infrastructure
39 authority for the purpose of developing projects that include, but
40 are not limited to, predevelopment, economic development, and

1 goods movement-related infrastructure that benefit communities
2 within the border region. The bank's purpose is to serve a role that
3 is similar to the North American Development Bank.

4 (b) All projects funded pursuant to this article shall be consistent
5 with and included within an economic development plan that has
6 been jointly developed with participation from government,
7 business, and other stakeholders from the State of California and
8 the States of Baja and Sonora, Mexico. Participation by federal
9 representatives is encouraged but not required. The purpose of the
10 plan shall be to identify synergistic opportunities to address existing
11 problems and to meet the future needs of border crossings along
12 the California and Mexico border in order to support trade and
13 tourism.

14 (c) The bank shall develop guidelines for the selection, review,
15 and approval of projects within the border region.

16 63047.3. (a) The bank may issue taxable or tax-exempt revenue
17 bonds pursuant to Chapter 5 (commencing with Section 63070)
18 and deposit the proceeds from the bonds into the Binational
19 Development Account, which is hereby created, within the
20 California Infrastructure and Economic Development Bank Fund,
21 established pursuant to Section 63050. The bank may use the
22 proceeds to refund bonds previously issued under this article. Bond
23 proceeds may also be used to fund necessary reserves, capitalized
24 interest, or costs of issuance.

25 (b) Except as may be provided in the governing documents with
26 respect to bond anticipation notes, each of the bonds issued under
27 this article shall, to the extent provided in the governing documents,
28 be payable from, and secured by, all or a portion of the revenues
29 in the account and the assets of the fund, to the extent the revenues
30 and assets are pledged by the board for those purposes.

31 (c) Bonds issued under this article shall not be deemed to
32 constitute a debt or liability of the state or of any political
33 subdivision thereof, other than the bank, or a pledge of the faith
34 and credit of the state or of any political subdivision, but shall be
35 payable solely from the revolving fund and the assets of the
36 revolving fund, and the security provided by the revolving fund.
37 All bonds issued under this article shall contain on the face of the
38 bonds a statement to the same effect.

39 SEC. 7. Section 63084 of the Government Code is amended
40 to read:

- 1 63084. (a) Any issue of revenue bonds by the bank may be
2 secured and made more attractive to capital markets through
3 financial instruments, including, but not limited to:
4 (1) Deeds of trust on the resources, facilities, and revenues of
5 the projects.
6 (2) Credit enhancements, including, but not limited to, letters
7 of credit, bond insurance, and surety bonds provided by private
8 financial institutions.
9 (3) Insurance and guarantees provided by the bank itself.
10 (b) The bank may make loans to help establish and support the
11 revolving loan funds of small business development corporations,
12 economic development corporations, community development
13 corporations, and nonprofit corporations. The loans may be made
14 from any appropriate account or subaccount of the California
15 Infrastructure and Economic Development Bank Fund and as
16 determined by the bank. *Loans may be made to a joint powers*
17 *authority and any binational development authority undertaking*
18 *economic and infrastructure development work within the border*
19 *region to the extent that at least one of the participants in the*
20 *authority is a nonprofit entity in good standing in California.*